

# Memorandum

**To:** Chairman and Commissioners

**Date:** November 19, 2004

**From:** Diane C. Eidam

**Ref No:** 4.8  
ACTION

**Ref:** 2004 Upcoming Issues in the Aeronautics Program

**Issue:** Should the Commission accept its Technical Advisory Committee On Aeronautics (TACA) report on upcoming issues in the Commission's 2004 Annual Report?

**Recommendation:** Staff recommends that the Commission accept the attached TACA report on upcoming issues for inclusion in the Commission's 2004 Annual Report.

**Background:** If California is to remain competitive in the global economy, its aviation system must:

- be improved to facilitate significant growth in air passenger and cargo movement,
- provide access for and fully integrate increasing business and corporate aviation,
- ensure mobility around airports,
- responsibly mitigate adverse impacts of aviation on communities, and
- continue a high quality of life for our citizens.

California cannot continue to leave the statewide economic interests associated with aviation to the vagaries of local politics and priorities alone. The State should accept the responsibility to provide the leadership and resources, in cooperation with local, regional and federal agencies, to develop the efficient aviation system that is essential for our economic success in the 21<sup>st</sup> Century. California must re-assess and adjust the state role in aviation to ensure that California remains competitive.

**Summary of TACA Recommendations:** TACA recommends that the Commission add to its annual report the upcoming issues identified in the attached TACA report and summarized below:

TACA recommends that the Commission recommend to the Legislature and the Administration that they act to address state aviation system needs through legislation that would:

- Provide a stable funding source of \$15 million per year from jet fuel sales tax for the Aeronautics Account, to be programmed and allocated by the Commission to publicly owned general aviation airports for airport security, safety, capacity needs and comprehensive land use compatibility plans.
- Amend the California Constitution to limit the use of all Aeronautics Account revenue derived from general aviation to funding for general aviation projects.
- Strengthen compatible land use statutes by requiring that proposals for privately funded and charter schools be subject to oversight by the appropriate Airport Land Use Commission.

TACA recommends that the Commission direct TACA to work in 2005 with representatives of the Business, Transportation and Housing Agency and the Department to:

- identify potential roles and policies for the state in developing California's aviation system, particularly in reviewing the policy element of the California Aviation System Plan,
- support appropriate legislative proposals that would:
  - (1) increase funding for Caltrans to assist smaller airports in securing state and federal aviation grants, to insure that California receives the maximum amount of federal funding and uses state funds effectively.
  - (2) restructure the funding of state aviation activities so that those who benefit from those activities, both commercial and general aviation, pay for them; and
  - (3) dedicate all Aeronautics Account revenues derived from general aviation to general aviation purposes.
- Authorize and fund the Caltrans Division of Aeronautics to provide information to pilots and business aviation departments to promote the use of a larger number of California's airports and better use existing system capacity. Existing and newly upgraded facilities often are not used to their potential because of the habits companies develop. Caltrans could help to manage both highway congestion and runway congestion by marketing alternatives to congested airports that are within a convenient distance of major business destinations.

Lastly, TACA recommends that the Commission include in its Annual Report the Air Transportation Issues identified by Caltrans. The Department has identified the following significant air transportation issues for 2005:

- In May 2004, the Transportation Security Administration issued its "Security Guidelines for General Aviation Airports". Over the next several years, it is likely that cities and counties, who own nearly all of California's 224 public-use general aviation airports, will seek state funds to improve airport security.
- The reauthorization of the federal Airport Improvement Program, VISION 100, increased federal grant funding from 90% to 95% of project costs. The reauthorization also continued the entitlement program for general aviation airports, so that eligible airports may receive up to \$150,000 annually. The changes resulting from VISION 100 will likely put increased demand on Aeronautics grant aid programs since, by state law, the Aeronautics Program is required to provide local assistance at five percent of the federal grant amount.
- The transfer of \$6 million from the Aeronautics Account to the General Fund in 2002-2003, and another \$4.8 million transferred in 2003-2004, intended to reduce the overall state budget deficit, have adversely impacted the ability of the Commission to meet financial assistance demands from the Aeronautics Program.

Attachment

# **ISSUES FOR 2005**

## **Outlook for the State Aeronautics Program**

### **Introduction:**

The rapidly expanding role of aviation in moving people and goods in the global economy requires an examination of the State's role in commercial and business aviation. California's economic future is inextricably linked to providing the transportation infrastructure that will connect all areas of the State to the global economic system. If California is to remain competitive in the global economy, its aviation system must:

- be improved to facilitate significant growth in air passenger and cargo movement,
- provide access for and fully integrate increasing business and corporate aviation,
- ensure mobility around airports,
- responsibly mitigate adverse impacts of aviation on communities, and
- continue a high quality of life for our citizens.

California cannot continue to leave the statewide economic interests associated with aviation to the vagaries of local politics and priorities alone. The State should accept the responsibility to provide the leadership and resources, in cooperation with local, regional and federal agencies, to develop the efficient aviation system that is essential for our economic success in the 21<sup>st</sup> Century. California must re-assess and adjust the state role in aviation to ensure that California remains competitive.

### **Aviation Planning**

The Policy Element of the California Aviation System Plan (CASP) defines the State's continuous aviation system planning process. It defines the roles of federal, State, regional and local participants in the process. The Policy Element also covers issues affecting aviation and its relationship with other modes and defines the policies and implementing actions for guiding Caltrans Division of Aeronautics activities and CASP development, including funding priorities for general aviation and commercial service airports in California.

Caltrans' role is planning and assisting the infrastructure and capacity development and maintenance of the airport system, and the funding limitations that restrict the Caltrans role continue to be issues emphasized in the current Policy Element. Options for increased funding of the State aviation program have been discussed for years, but no action has yet been taken.

The Commission's role is to:

- provide policy direction to Caltrans in the development of the aeronautics plans and programs,
- adopt the CASP and its various elements,
- program projects in the Aeronautics Program, and
- allocate funds.

## **Existing State Aviation Funding**

Annual revenue deposited in the State Aeronautics Account in recent years is approximately \$7.25 million. The Aeronautics Account is the sole State source of funding for the Division of Aeronautics and the programs it administers. The revenue sources are an 18-cent per gallon motor vehicle fuel excise tax on general aviation gasoline and a two-cent per gallon excise tax on general aviation jet fuel. Air carrier and military aircraft and aviation manufacturing are exempt from the two-cent per gallon excise tax on jet fuel.

The latest available data show that state and local governments collect about \$215 million in tax revenues from aviation annually, and that only about \$8 million of that is directed to address aviation needs. The tax revenues not applied to aviation include about \$168 million in sales tax on jet fuel; \$10 million in sales tax on general aviation aircraft; and \$30 million in property tax. If only a portion of the tax revenues collected on aviation were used to address aviation needs, California could make significant progress in implementing state priorities for increasing airport capacity and safety, enhancing air passenger mobility, improving air cargo efficiency, and mitigating the impacts of airport operations on local communities.

The Commission has long supported increasing state funding to develop an integrated system of airports that adequately meets the demands of California's economy. The events of September 11, 2001 emphasized the critical role aviation plays in our economy, and they have increased the need for investment in security measures to keep the aviation system operating. The Commission supports redirecting state sales tax revenues from the sale of jet fuel to fund state aviation programs. These tax revenues are a "user fee" paid by the aviation industry and users, in the same way that sales tax revenues on gasoline and diesel fuel, currently directed to highway and transit program funding, are user fees on drivers.

## **Aeronautics Issues for the New Millennium**

The Commission, based on proposals from its Technical Advisory Committee on Aeronautics (TACA), recommends that the Legislature and the Administration act to address state aviation system needs through legislation that would:

- Provide a stable funding source of \$15 million per year from jet fuel sales tax for the Aeronautics Account, to be programmed and allocated by the Commission to publicly owned general aviation airports for airport security, safety, capacity needs and comprehensive land use compatibility plans.
- Amend the California Constitution to limit the use of all Aeronautics Account revenue derived from general aviation to funding for general aviation projects.
- Strengthen compatible land use statutes by requiring that proposals for privately funded and charter schools be subject to oversight by the appropriate Airport Land Use Commission.

At the Commission's direction, TACA will work in 2005 with representatives of the Business, Transportation and Housing Agency and the Department to:

- identify potential roles and policies for the state in developing California's aviation system, particularly in reviewing the policy element of the California Aviation System Plan,
- support appropriate legislative proposals that would:

- (1) increase funding for Caltrans to assist smaller airports in securing state and federal aviation grants, to insure that California receives the maximum amount of federal funding and uses state funds effectively.
  - (2) restructure the funding of state aviation activities so that those who benefit from those activities, both commercial and general aviation, pay for them; and
  - (3) dedicate all Aeronautics Account revenues derived from general aviation to general aviation purposes.
- Authorize and fund the Caltrans Division of Aeronautics to provide information to pilots and business aviation departments to promote the use of a larger number of California's airports and better use existing system capacity. Existing and newly upgraded facilities often are not used to their potential because of the habits companies develop. Caltrans could help to manage both highway congestion and runway congestion by marketing alternatives to congested airports that are within a convenient distance of major business destinations.

### **Air Transportation Issues Identified by Caltrans**

Under Section 14051 of the Government Code, Caltrans is required to submit to the Legislature at the commencement of each regular session a report regarding its programs. With reference to air transportation, subdivision (c) of Section 14051 requires that Caltrans provide:

- (1) An evaluation of significant air transportation issues anticipated to be of public concern during the five-year period commencing January 1 of the year preceding the date for submission of the report and beyond.
- (2) Recommended modifications to state and federal law, where appropriate.
- (3) An overview of necessary future investments in the development and maintenance of the state's air transportation system.
- (4) An analysis of the Department's organizational and staff needs relative to its air transportation responsibilities.
- (5) A review of state aeronautics policy.

The following is a synopsis of the Department's identification of significant air transportation issues for 2005:

Caltrans' Division of Aeronautics is primarily involved with the general aviation component of aviation transportation. The commercial service component, scheduled airline passenger and cargo transportation is almost exclusively the province of the Federal Aviation Administration (FAA) and the Transportation Security Administration (TSA). Historically, the FAA is charged with the safety of the air transportation system for commercial service, including those airports used by commercial air service operators, and the funding of capacity improvement projects at commercial service airports. More recently, the TSA was charged with security against terrorist acts involving commercial service aircraft and airports. Both federal agencies generally leave responsibility for general aviation airport funding, safety, and capacity to the states.

In May 2004, the TSA issued its "Security Guidelines for General Aviation Airports". As a result, over the next several years there is likely to be pressure from cities and counties who own nearly all of California's 224 public-use general aviation airports to seek state funds to improve airport security.

In 2003, the reauthorization of the federal Airport Improvement Program, VISION 100, increased federal grant funding to 95% of project costs for the next four years, up from 90%. The reauthorization also continued the entitlement program for general aviation airports, so that eligible airports may receive up to \$150,000 annually for the next four years. The changes resulting from VISION 100 will likely put increased demand on Aeronautics grant aid programs since, by state law, the Aeronautics Program is required to provide local assistance at five percent of the federal grant amount.

Lastly, the transfer of \$6 million from the Aeronautics Account to the General Fund in 2002-2003, and another \$4.8 million transferred in 2003-2004, intended to reduce the overall state budget deficit, have adversely impacted the ability of the Commission to meet financial assistance demands from the Aeronautics Program.